

## 1997 SMALL BUSINESS PROFILE

### SMALL BUSINESS: BACKBONE OF THE TEXAS ECONOMY

The importance of small business to the state of Texas is evident in the 1997 Small Business Profile. The findings reported in this year's profile, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, clearly indicate the crucial role small businesses play in the state's economy. Not only do small businesses play a vital role as job creators, but their diversity and composition provide the work force with endless opportunities.

**Number of Businesses** - In 1996, Texas had 368,663 businesses with employees; 98.8 percent of the businesses were small businesses (percent based on 1994 data for independent businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 725,000 self-employed persons in 1996, for an estimated total of 1,093,663 businesses.

**Small Business Income** - The income of sole proprietors and partners rose 5.5 percent to \$46.7 billion in 1996, while wage-and-salary income rose 7.4 percent. Total personal income rose 7.1 percent to \$289.3 billion. The state also exported \$48.3 billion of goods in 1996.

**Minority Businesses** - According to The National Foundation for Women Business Owners, as of 1996, there were 551,600 women-owned businesses in Texas, including part-time firms, employing 1,097,900 people and generating \$129.6 billion in sales. Between 1987-1996, the number of women-owned businesses, increased 70.1 percent.

According to the latest Bureau of the Census data, the number of Black-owned firms, including part-time firms, increased 40.0 percent from 1987 to 1992, totaling 50,008 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 64.5 percent during the same time period with 155,909 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 22,682 in 1987, to 38,763 in 1992, representing a 70.9 percent increase.

**Business Turnover** - The number of new firms increased 2.2 percent, while new business incorporations increased 2.4 percent in 1996. Financial difficulties leading to business bankruptcies increased by 1.7 percent and business failures decreased by 1.1 percent during 1996.

**Finance** - An SBA Office of Advocacy study found that the number of banks in Texas decreased from 997 in 1994 to 896 in 1996. The study also found the top lenders to small businesses in fiscal year 1996 were:

Bank Name	Location
UNITED B&TC	Abilene
FIRST CMRL BK NA	Seguin
FIRST NB	Hughes Springs
FIRST WACO NB	Waco
EAST TX NB	Marshall
FIRST BK OF CONROE NA	Conroe
FIRST NB	Newton
GUARANTY BK	Mount Pleasant
MIDLAND AMER BK	Midland
SURETY BK NA	Midlothian
TEXAS BK	Odessa
SECURITY ST B&TC	Fredericksburg
FIRST VALLEY BK	Harlingen
CITIZEN ST BK	Corpus Christi
STERLING BK	Houston
VICTORIA B&TC	Victoria
TEXAS ST BK	Mcallen
TEXAS CMRC BK NA	Houston
NATIONSBANK OF TX NA	Dallas
BANK ONE TX NA	Dallas

**Job Growth** - Small businesses created all of the net new jobs from 1992 to 1996. Very small businesses (less than 20 employees) represented 63.3 percent of the small business growth with 599,010 new jobs. These numbers clearly reflect the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	376,587	222,423	162,201	185,551	(36,796)	909,965
Manufacturing	13,725	17,257	15,311	29,839	(69,277)	6,856
Retail Trade	29,550	30,377	37,067	8,489	(34,586)	70,898
Services	221,392	113,397	80,900	94,586	81,416	591,690
Other	111,919	61,391	28,925	52,636	(14,350)	240,522

**Industries** - The composition of small business in Texas is very diverse. The Eating & Drinking Places industry is the largest small business employer in Texas, followed by Health Services. The fastest growing

industry for small business is Nondepository Credit Institutions (represents industries that were at least 0.25% of the 1994 total).

The following three tables provide further information about the composition of the small business sector in the state. The information is for 1994, the latest year available.

Table 1, Top Five Industries in Texas by Employment, 1994

Industry	SIC	Employment Total	Percent of Total	Percent Small
Total - All Industries	--	6,453,028	100.0	50.1
Health Services	8000	680,088	10.5	38.3
Business Services	7300	502,910	7.8	45.0
Eating & Drinking Places	5800	498,545	7.7	58.8
Wholesale Trade - Durable Goods	5000	269,395	4.2	68.9
Food Stores	5400	245,638	3.8	26.4

Table 2, Top Five Small Business Industries in Texas by Employment, 1994

Industry	SIC	Employment in firms with 0 - 499 employees	Percent of Total	Percent Small
Total - All Industries	--	3,232,855	100.0	50.1
Eating & Drinking Places	5800	293,318	7.7	58.8
Health Services	8000	260,631	10.5	38.3
Business Services	7300	226,370	7.8	45.0
Wholesale Trade - Durable Goods	5000	185,524	4.2	68.9
Special Trade Contractors	1700	173,423	3.0	89.1

Table 3, Fastest Growing Industries for Small Business in Texas, 1993 - 1994

Industry	1993	1994	Amount Change	Percent Change
Total - All Industries	3,155,704	3,232,855	77,151	2.4
Nondepository Credit Institutions	11,289	14,235	2,946	26.1
Primary Metal Industries	8,064	9,068	1,004	12.5
Motor Freight Transportation & Warehousing	51,971	56,562	4,591	8.8
Stone, Clay, Glass, & Concrete Products	12,840	13,928	1,088	8.5
Special Trade Contractors	160,472	173,423	12,951	8.1

**Sources:** Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation of Women Business Owners, and Cognetics Inc.